ALBERTA HERITAGE SAVINGS TRUST FUND
ANNUAL REPORT
002

FOR THE YEAR ENDED MARCH 31, 2002

Heritage Fund

Alberta
REVENUE

102-05752/

Fund Governance

- The Heritage Fund was established in 1976 and operates under the authority of the *Alberta Heritage Savings Trust Fund Act*. On January 1, 1997, a new Act was passed that sets out a revised investment framework for the Fund. The statutory mission of the Fund is:

  "To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans."

- The Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the business plan and annual report of the Fund. The Standing Committee has representation from the major parties of the legislature. The Standing Committee receives regular reports on the performance of the Fund and conducts public meetings on an annual basis in different locations in the Province. The purpose of these meetings is to update Albertans on the management of the Fund and to solicit input from Albertans on the Fund's objective.

- The Ministry of Revenue is responsible for the Fund and its investments. The Minister of Revenue is required to report on the performance of the Fund quarterly within 60 days of the end of the quarter and make public the annual report within 90 days of the end of the fiscal year.

- The business plan of the Heritage Fund is published as part of the provincial budget and the income of the Fund is consolidated into the revenue of the Province.

- An Investment Operations Committee (IOC) was established to add private sector financial and business oversight of the Fund's investment policies and operation. The IOC is chaired by the Deputy Minister of Revenue and consists of private sector members. The Committee reviews and makes recommendations with respect to the business plan, annual report and investment policy statements for the Fund. The Committee meets at least quarterly to review performance and fund management.

- The investment portfolio of the Heritage Fund is managed by a group of highly qualified and experienced professionals in Alberta Revenue's Investment Management Division (IMD). External managers (specialized private sector investment managers) are used to manage specific investment mandates.

Table of Contents

Minister of Revenue's Report 1
Business Plan 2
Investment Objectives and Strategy 3
Year in Review 4
- Fund Value 4
- Investment Income 4

Investment Asset Mix 6
Performance Measurement 7
- Heritage Fund rate of return 7
- Fixed income investments 7
- Canadian Equities 8
- United States Equities 9
- Non-North American Equities 9
- Real Estate Investments 10
- Business Plan Performance Measures 11

Administrative Expenses 12
Glossary 13
Financial Statements 16
Auditor's Report 17
List of Investments 34

Additional copies of this report and copies of the future quarterly reports on the Heritage Fund may be obtained by writing:

Heritage Fund, Room 455, Terrace Building
Edmonton, Alberta, T5K 2C3

Or by telephoning (780) 427-3035

Or by visiting our website at: www.albertaheritagefund.com

Minister of Revenue's Report to Albertans on the Alberta Heritage Savings Trust Fund

It is an honour to present the 26th Annual Report of the Alberta Heritage Savings Trust Fund. The Heritage Fund was created in 1976 as an innovative way to save the proceeds from non-renewable resource revenue for the benefit of current and future generations of Albertans.

Over the past 26 years, the Fund has generated approximately $25.6 billion dollars in investment income. The Fund's income is transferred to the Province of Alberta's main operating account, the General Revenue Fund, where it is used for Albertans' priorities such as health care, education, roads, tax reductions and debt repayment.

Today, the Heritage Fund has investments around the world including Canada, the United States, Europe, Australia, Asia and the Far East. The Fund is comprised of investments in bonds, mortgages, equities, real estate and derivative products.

Fiscal 2001-02 proved to be one of the most difficult years in the history of financial markets. World events, dramatic declines in technology stocks and slowing economies caused significant declines in world stock markets during the first half of the year. Central banks responded by lowering interest rates to provide liquidity and stimulate economic activity. In the second half of the year, investor and consumer confidence improved and financial markets began to recover.

As of March 31, 2002, the Heritage Fund closed out the year with a fair value of $12.4 billion, a net increase of $290 million from the previous year. The Fund's increase in value of $496 million was offset by transfers to the General Revenue Fund of $206 million, representing investment income determined on a cost basis of accounting. The Fund records investments and investment income on a cost basis that excludes unrealized gains and losses. The $290 million increase in value of the Fund represents net unrealized gains during the period. On a fair value basis, the Fund recorded a rate of return of 4.2% over the year and 4.6% over four years on an annualized basis.

Over the year, the asset mix of the Fund has continued towards the goal of 65% equities and real estate and 35% fixed income securities. This mix will help obtain higher rates of return over the long term. The key to achieving long-term, sustainable performance is to maintain a prudent, diversified portfolio, long-term focus, and investment discipline. The performance of the Fund is measured over the long term, since volatility in equity markets can produce fluctuations in performance from year to year.

The Heritage Fund is a symbol of pride to all Albertans. As we look towards the future of the Fund in the 21st century we will continue to provide strong leadership and stewardship while exploring new initiatives and alternatives for the benefit of all Albertans and future generations.

Honourable Greg Melchin, CA
Minister of Revenue

Business Plan

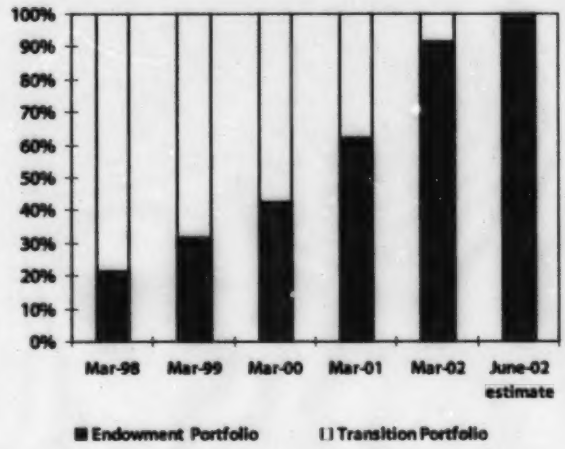
The business plan for the Heritage Fund describes the mission, specific investment objectives of the Fund, and how the Fund's performance will be measured. The business plan is reviewed annually and is published as part of the Provincial budget. The Investment Operations Committee (IOC) reviews and makes recommendations regarding the business plan and the investment policies for the Fund. The business plan is then reviewed and approved by the Minister of Revenue, Treasury Board and the legislature's Standing Committee on the Alberta Heritage Savings Trust Fund.

The three goals of the Fund, as outlined in the plan, remain as follows:

1. Earn income to support the Government's consolidated fiscal plan.
2. Make investments to maximize long-term financial returns.
3. Improve Albertans' understanding and the transparency of the Heritage Fund.

Investments in the Heritage Fund are held in two portfolios, the Endowment Portfolio and the Transition Portfolio. In order to improve Albertans' understanding and the transparency of the Fund and its operations, the fixed income securities held in the Transition Portfolio have been combined with the fixed income securities held in the Endowment Portfolio for reporting purposes. Based on current transfers of $300 million per month, substantially all of the assets held in the Transition Portfolio will be transferred to the Endowment Portfolio by June 30, 2002. The rapid decrease in the size of the Transition Portfolio makes separate comparisons of the portfolio's income and assets from period to period no longer meaningful.

ENDOWMENT AND TRANSITION PORTFOLIOS
(percent of total Heritage Fund at cost)



During the fiscal year ended March 31, 2002, the cost of investments transferred from the Transition Portfolio to the Endowment Portfolio totalled $3.6 billion. As at March 31, 2002, the Endowment portfolio comprised 92% of the Heritage Fund net assets, at cost, while the Transition Portfolio comprised 8%. A breakdown of investments held in the Endowment Portfolio and Transition Portfolio is included in the Heritage Fund financial statements note 3(s).

The Heritage Fund 2001-04 business plan outlines various performance measures and benchmarks that are reviewed annually to determine ongoing suitability which are presented on page 11.

Investment Objectives and Strategy

The investment objective of the Fund is to optimize long-term financial returns subject to an acceptable level of risk. By legislation, Alberta Revenue operates under the "Prudent Person Rule". This assigns to the investment manager the responsibility to restrict investments to assets that would be approved by a prudent person. Investment funds with long-term investment horizons and an objective to optimize long-term returns, invest a significant amount of their assets in equities. Equities have historically provided investors with higher total returns (dividends and capital gains) than interest bearing securities. The Heritage Fund Endowment Portfolio follows a similar strategy which, over a four-year period, should generate a real rate of return of around 5.0% at an acceptable level of risk. However, this can result in more volatility in capital gains and less interest income.

The Fund's investment policy statement is reviewed and recommended annually by the Investment Operations Committee to the Minister of Revenue. The investment policy statement is then approved by the Minister of Revenue and forms the reference document for Alberta Revenue as the investment manager. The investment policy statement must be consistent with the business plan of the Fund and it provides the overall investment framework as well as specific policies and guidelines such as:

1. A quality constraint for fixed income securities of investment grade (a minimum of a "BBB" credit rating or equivalent).
2. Investment limits by asset class.
3. A summary of the legislative authority and governance structure, including specific duties of the investment manager.
4. Requirements to adhere to the "prudent person" rule when making investments.
5. How investment performance is to be measured and what benchmark is to be used in assessing performance.
6. Controls with respect to the use of derivatives.

The investment strategy is to invest in a diversified portfolio to optimize long-term returns at an acceptable level of risk. As liquid, marketable securities are transferred from the Transition Portfolio, the securities are reinvested based on the allocation policy established for the Endowment Portfolio. The asset allocation policy for 2001-02 is based on the following long-term benchmark asset mix for the Endowment portfolio of the Heritage Fund.

	Benchmark	
Asset Class	Policy Allocation	Return Index
Fixed income:		
Money market	2.0%	Scotia Captial 91-Day T-Bill
Bonds	33.0%	Scotia Captial Universe Bond Index
	35.0%	
Equities:		
Canadian	23.0%	Toronto Stock Exchange 300 Index *
United States	17.5%	Standard & Poor's 500 Index
Non-North American	17.5%	MSCI EAFE
	58.0%	
Real Estate	7.0%	Russell Canadian Property Index
	100.0%	

* subsequent to March 31, 2002, the TSE 300 changed to the Standard & Poor's Toronto Stock Exchange (S&P/TSX Composite Index).

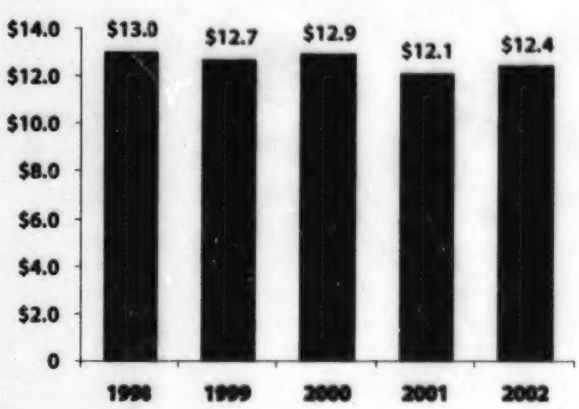
The Year in Review

FUND VALUE

The fair value of the Heritage Fund increased this year by approximately $290 million to $12.4 billion at March 31, 2002. The Fund performed well considering it was one of the most turbulent and volatile years in the history of financial markets. During the year, world stock markets experienced the negative effects of the events of September 11, significant declines in value of technology stocks and slowing growth in US and non-North American economies which spilled over into the Canadian economy. Toward the end of the year, financial markets began to strengthen as investors and consumers grew more confident in the economic recovery.

HERITAGE FUND - FAIR VALUE

As at March 31(billions)

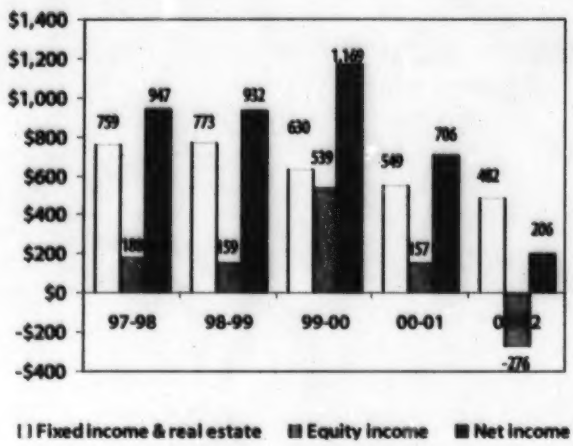


INVESTMENT INCOME

The Fund recorded net income of $206 million during fiscal year 2001-02. Over the year, income of $444 million from investments in bonds, notes, short term paper and $38 million from real estate investments was offset by losses of $276 million from investments in equity markets.

HERITAGE FUND INVESTMENT INCOME

Year ended March 31 (millions)



The Fund accounts for its investments on a cost basis. Investment income on a cost basis excludes unrealized gains and losses. Investment income on a fair value basis includes unrealized gains and losses. The investment income on a fair value basis for fiscal year 2001-02 is $496 million.

Investment income earned by the Heritage Fund is not reinvested in the Fund. Instead, all of the net income is transferred to the Province's main operating fund, the General Revenue Fund, and is used for Albertans' priorities like health care, education, roads, tax reductions and debt repayment. Unrealized capital gains and losses are not included in amounts transferred to the General Revenue Fund. Over the last five years, net realized capital gains included in investment income totalled $598 million.

CHANGES IN NET ASSETS

(millions)

	2002	2001
Fair value, beginning of year	$12,124	$12,854
Investment income, cost basis*	206	706
Change in unrealized appreciation (depreciation) in value of investments	290	(730)
Investment income, fair value basis	496	(24)
Transfers to the General Revenue Fund**	(206)	(706)
Fair value, end of year	$12,414	$12,124

* includes interest, dividends, realized gains and losses, derivative income and administrative expenses.

** see financial statements (Note 6)

The Government of Alberta financial statements are prepared on a consolidated basis which eliminates the income the Heritage Fund earns from Alberta Government and Provincial Corporation securities totalling $33 million for the year ending March 31, 2002. On a consolidated basis, Heritage Fund income was $173 million.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

Micromedia
ProQuest

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

Investment Asset Mix

In 1998, most of the investment portfolio consisted of fixed income securities held in the Transition portfolio. Over the past five years, the Transition portfolio has gradually been phased out as assets, at cost, have been transferred to the Endowment portfolio. As at March 31, 2002, investments in the Endowment portfolio are managed according to the following policy asset mix:

Fixed income securities	35%
Equities and real estate	65%

On a combined basis, equities account for 52.3% or $6.6 billion of the Fund's total investments. Fixed income securities such as bonds, notes, short-term paper and other interest bearing securities continued to decrease. Fixed income securities now account for 43.0% of the Fund's total investments or $5.4 billion. Real estate accounts for 4.7% of the investments or $0.6 billion.

Generally, fixed income securities are less volatile and provide a steady stream of interest income. Equities are more volatile and produce capital gains or losses. Over the long term, equities are expected to produce higher rates of return than fixed income securities.

HERITAGE FUND COMBINED (fair value)
As at March 31 ($ billions)

	2002		2001		2000		1999		1998	
Fixed-income securities	$ 5.4	43.0%	$ 7.7	63.9%	$ 9.1	71.1%	$ 10.2	81.2%	$ 11.4	87.1%
Canadian equities	2.6	20.7%	1.6	13.8%	1.5	11.3%	1.0	8.0%	1.0	7.5%
US equities	2.0	15.8%	1.2	9.9%	0.9	7.1%	0.3	2.7%	0.2	1.2%
EAFE equities*	2.0	15.8%	1.1	9.2%	1.0	7.8%	0.9	6.8%	0.5	3.9%
	6.6	52.3%	3.9	32.9%	3.4	26.2%	2.2	17.5%	1.7	12.6%
Real Estate	0.6	4.7%	0.4	3.2%	0.4	2.7%	0.2	1.3%	0.0	0.3%
Total investments	$ 12.6	100.0%	$ 12.0	100.0%	$ 12.9	100.0%	$ 12.6	100.0%	$ 13.1	100.0%
Net receivables (payables)	(0.2)		0.1				0.1		(0.1)	
Fund Value	$ 12.4		$ 12.1		$ 12.9		$ 12.7		$ 13.0	

ENDOWMENT PORTFOLIO (fair value)
As at March 31 ($ billions)

	Policy Allocation 2002	2002		2001		2000		1999		1998	
Fixed-income securities	35.0%	$ 4.2	36.7%	$ 3.1	42.1%	$ 2.3	38.3%	$ 2.0	46.7%	$ 1.8	53.9%
Canadian equities	23.0%	2.6	23.0%	1.6	22.0%	1.5	23.9%	0.9	21.6%	0.8	24.5%
US equities	17.5%	2.0	17.5%	1.2	16.0%	0.9	15.2%	0.3	7.9%	0.2	4.7%
EAFE equities*	17.5%	2.0	17.6%	1.1	14.7%	1.0	16.7%	0.9	19.9%	0.5	15.7%
	58.0%	6.6	58.1%	3.9	52.7%	3.4	55.8%	2.1	49.4%	1.5	44.9%
Real Estate	7.0%	0.6	5.2%	0.4	5.2%	0.4	5.9%	0.2	3.9%	0.0	1.2%
Total investments	100.0%	$ 11.4	100.0%	$ 7.4	100.0%	$ 6.1	100.0%	$ 4.3	100.0%	$ 3.3	100.0%

TRANSITION PORTFOLIO (fair value)
As at March 31 ($ billions)

	2002		2001		2000		1999		1998	
Fixed-income securities	$ 1.2	100.0%	$ 4.6	100.0%	$ 6.8	100.0%	$ 8.2	99.0%	$ 9.6	98.0%
Canadian equities	-	-	-	-	-	-	0.1	1.0%	0.2	2.0%
Total investments	$ 1.2	100.0%	$ 4.6	100.0%	$ 6.8	100.0%	$ 8.3	100.0%	$ 9.8	100.0%

* Europe, Australasia and Far East

Investment Asset Mix

In 1998, most of the investment portfolio consisted of fixed income securities held in the Transition portfolio. Over the past five years, the Transition portfolio has gradually been phased out as assets, at cost, have been transferred to the Endowment portfolio. As at March 31, 2002, investments in the Endowment portfolio are managed according to the following policy asset mix:

Fixed income securities	35%
Equities and real estate	65%

On a combined basis, equities account for 52.3% or $6.6 billion of the Fund's total investments. Fixed income securities such as bonds, notes, short-term paper and other interest bearing securities continued to decrease. Fixed income securities now account for 43.0% of the Fund's total investments or $5.4 billion. Real estate accounts for 4.7% of the investments or $0.6 billion.

Generally, fixed income securities are less volatile and provide a steady stream of interest income. Equities are more volatile and produce capital gains or losses. Over the long term, equities are expected to produce higher rates of return than fixed income securities.

HERITAGE FUND COMBINED (fair value)
As at March 31 ($ billions)

	2001		2000		1999		1998	
Fixed-income securities	$ 7.7	63.9%	$ 9.1	71.1%	$ 10.2	81.2%	$ 11.4	87.1%
Canadian equities	1.6	13.8%	1.5	11.3%	1.0	8.0%	1.0	7.5%
US equities	1.2	9.9%	0.9	7.1%	0.3	2.7%	0.2	1.2%
EAFE equities*	1.1	9.2%	1.0	7.8%	0.9	6.8%	0.5	3.9%
	3.9	32.9%	3.4	26.2%	2.2	17.5%	1.7	12.6%
Real Estate	0.4	3.2%	0.4	2.7%	0.2	1.3%	0.0	0.3%
Total investments	$ 12.0	100.0%	$ 12.9	100.0%	$ 12.6	100.0%	$ 13.1	100.0%
Net receivables (payables)	0.1		-		0.1		(0.1)	
Fund Value	$ 12.1		$ 12.9		$ 12.7		$ 13.0	

ENDOWMENT PORTFOLIO (fair value)
As at March 31 ($ billions)

	Policy Allocation 2002	2001		2000		1999		1998	
Fixed-income securities	35.0%	$ 3.1	42.1%	$ 2.3	38.3%	$ 2.0	46.7%	$ 1.8	53.9%
Canadian equities	23.0%	1.6	22.0%	1.5	23.9%	0.9	21.6%	0.8	24.5%
US equities	17.5%	1.2	16.0%	0.9	15.2%	0.3	7.9%	0.2	4.7%
EAFE equities*	17.5%	1.1	14.7%	1.0	16.7%	0.9	19.9%	0.5	15.7%
	58.0%	3.9	52.7%	3.4	55.8%	2.1	49.4%	1.5	44.9%
Real Estate	7.0%	0.4	5.2%	0.4	5.9%	0.2	3.9%	0.0	1.2%
Total investments	100.0%	$ 7.4	100.0%	$ 6.1	100.0%	$ 4.3	100.0%	$ 3.3	100.0%

TRANSITION PORTFOLIO (fair value)
As at March 31 ($ billions)

	2001		2000		1999		1998	
Fixed-income securities	$ 4.6	100.0%	$ 6.8	100.0%	$ 8.2	99.0%	$ 9.6	98.0%
Canadian equities	-	-	-	-	0.1	1.0%	0.2	2.0%
Total investments	$ 4.6	100.0%	$ 6.8	100.0%	$ 8.3	100.0%	$ 9.8	100.0%

* Europe, Australasia and Far East

Performance Measurement

HERITAGE FUND RATE OF RETURN

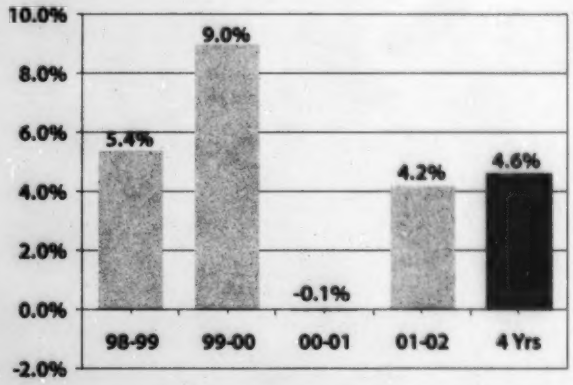
In order to generate higher long term rates of return, it was decided to have a portfolio with a significant commitment to equities and real estate.

As the Fund increases its investment in equities, there is greater potential for variations in performance from year to year. During the year ended March 31, 2002, the Heritage Fund posted a return of 4.2%. Positive returns from the Canadian bond market, real estate, Canadian equities and US equities were offset by negative returns from non-North American equity markets.

The performance of the Heritage Fund is measured over the long term. Over the past four-year period, the fund generated an annualized return of 4.6%.

HERITAGE FUND ANNUAL RETURNS

To March 31 (percent)

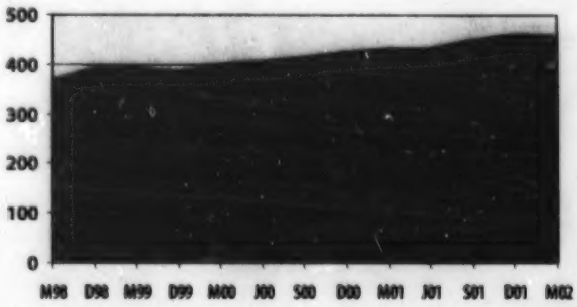


The performance of the Heritage Fund investments is measured against various market-based indices. Value added by investment management is accomplished through asset mix decisions and security selection.

FIXED INCOME INVESTMENTS

The Canadian bond market performed well this year. The Scotia Capital (SC) Universe Bond Index measures the performance of marketable Canadian bonds with terms to maturity of more than one year. Over the past year, the SC Universe Bond Index increased by 5.1% while the short term SC 91-Day T-Bill Index increased by 3.7%.

SC UNIVERSE BOND INDEX



The Fund's actual rate of return over the year from long-term Canadian bonds was 5.9%, 80 basis points better than the benchmark SC Universe Bond Index. The Fund's return from short-term securities was 4.8% or 110 basis points better than the benchmark SC 91-Day T-Bill Index. The out-performance was due to higher weight in corporate bonds and good duration management.

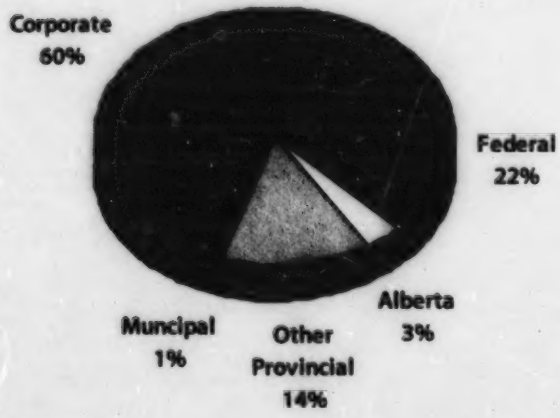
FIXED INCOME RETURNS

	One Year Return	Four Year Return
		(annualized)
Actual Return: ST fixed income	4.8%	5.2%
Benchmark: Scotia Capital 91-Day T-Bill Index	*3.7%*	*4.8%*
Basis Points Over (Under) benchmark	110	40
Actual Return: LT fixed income	5.9%	5.9%
Benchmark: Scotia Capital Universe Bond Index	*5.1%*	*5.5%*
Basis Points Over (Under) benchmark	80	40

The Fund's Canadian fixed-income portfolio is comprised of diversified holdings in corporate, federal, provincial and municipal bonds, notes and short-term paper.

SUMMARY OF FIXED INCOME HOLDINGS

(issued and guaranteed by)

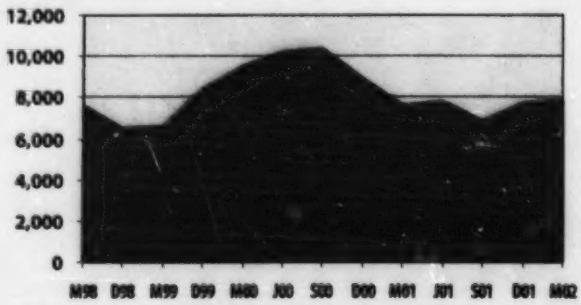


Over the year, investments in bonds, notes, short term paper, provincial corporation debentures and loans declined from 63.9% to 43.0% of total investments as the Fund continued its transition to a higher weight in equities. Fixed income securities now total $5.4 billion, down from $7.7 billion a year earlier.

CANADIAN EQUITY INVESTMENTS

The Canadian stock market rebounded strongly in the second half of the year after a very volatile and tumultuous first half of the year. The Toronto Stock Exchange (TSE) 300, which measures the performance of Canada's top 300 companies in fourteen industrial sectors, increased by 4.9% for the year ending March 31, 2002.

TSE 300



The Heritage Fund's Canadian equity portfolio is held in various investment pools which are managed by internal and external managers. Over the year, the Fund's actual return from Canadian equities was 4.2% or 70 basis points below the benchmark TSE 300. Over four years, the Fund's return from Canadian equities was 2.3% or 20 basis points less than the benchmark TSE 300. Canadian equities underperformed its benchmark as positive performance from the passive and small capitalization products was offset by a premature move to telecommunication and technology stocks in a large capitalization equity pool.

CANADIAN EQUITY RETURNS

	One Year Return	Four Year Return
		(annualized)
Actual return	4.2%	2.3%
Benchmark TSE 300	*4.9%*	*2.5%*
Basis Points Over (Under) benchmark	-70	-20

TOP TEN HOLDINGS IN THE CANADIAN EQUITY PORTFOLIO

March 31, 2002

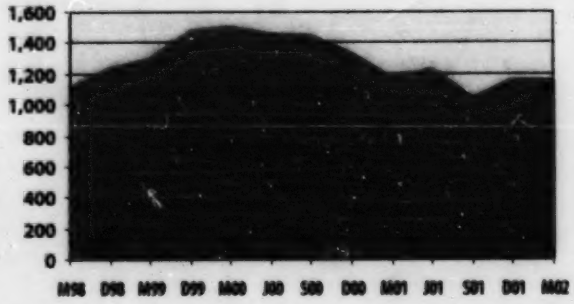
Company	% Holding
Royal Bank of Canada	4.3%
Toronto Dominion Bank	3.9%
Bank of Nova Scotia	3.6%
BCE Inc.	3.4%
Manulife Financial Corp.	2.9%
Nortel Networks	2.9%
Canadian Imperial Bank of Commerce	2.9%
Sun Life Financial Services	2.4%
Bank of Montreal	2.4%
Alcan Inc	2.2%

As at March 31, 2002, investments in Canadian equities rose to $2.6 billion or 20.7% of the Heritage Fund investment portfolio, up from $1.6 billion or 13.8% a year earlier.

UNITED STATES EQUITY INVESTMENTS

The United States equity market ended the fiscal year on a positive note. The Standard & Poor's 500 Index, S&P 500, which measures the performance of the top 500 American companies, increased by 1.6% over the year in Canadian dollars.

S&P 500



The Fund's actual rate of return over the year from US equities was 1.4% or 20 basis points less than the S&P 500. US equities slightly underperformed its benchmark on a one-year basis as the growth segment of the portfolio negatively impacted results.

U.S. EQUITY RETURNS

	One Year Return	Four Year Return (annualized)
Actual return	1.4%	5.7%
Benchmark Standard & Poor's 500 Index	*1.6%*	*5.3%*
Basis Points Over (Under) benchmark	-20	40

TOP TEN HOLDINGS IN THE U.S. EQUITY PORTFOLIO

March 31, 2002

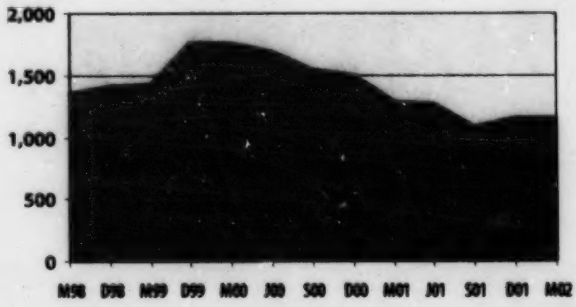
Company	% Holding
General Electric Co.	2.8%
Microsoft Inc.	2.6%
Citigroup Inc.	2.6%
Exxon Mobil Corp.	2.4%
Pfizer Inc.	2.2%
American International Group Inc.	1.5%
Wal-Mart Stores	1.5%
Verizon Communications	1.5%
Intel Corp	1.4%
Johnson & Johnson	1.4%

As at March 31, 2002, investments in U.S. equities rose to $2.0 billion or 15.8% of the Heritage Fund investment portfolio, up from $1.2 billion or 9.9% a year earlier.

NON-NORTH AMERICAN EQUITY INVESTMENTS

The non-North American equity market declined over the year. The Morgan Stanley Composite Index for Europe, Australasia and the Far East, MSCI EAFE, measures the performance of approximately 1000 companies on 21 stock exchanges around the world. The index returned a negative 7.3% over the year in Canadian dollars.

MSCI EAFE



The Fund's actual return from non-North American equities was negative 5.8% or 150 basis points better than the MSCI EAFE Index. The Non-North American equity component of the Fund outperformed its benchmark due to strong results from the European segment of the portfolio.

NON-NORTH AMERICAN EQUITY RETURNS

	One Year Return	Four Year Return (annualized)
Actual return	-5.8%	3.1%
Benchmark MCSI EAFE	*-7.3%*	*0.2%*
Basis Points Over (Under) benchmark	150	290

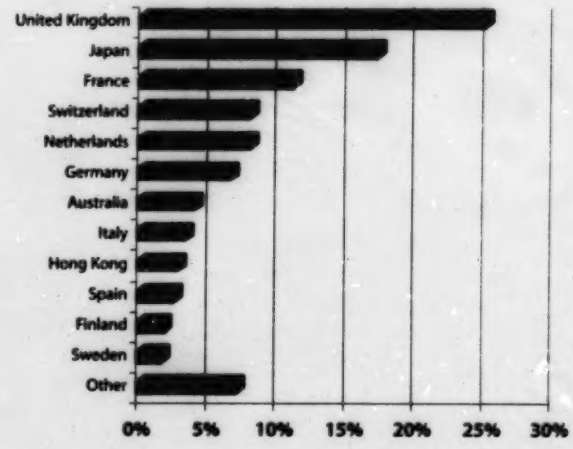
As at March 31, 2002, investments in non-North American equities rose to $2.0 billion or 15.8% of the Heritage Fund investment portfolio, up from $1.1 billion or 9.2% a year earlier.

TOP TEN HOLDINGS IN THE NON-NORTH AMERICAN PORTFOLIO

Company	% Holding
BP PLC	2.2%
Vodafone Group	2.1%
Glaxosmithkline	2.1%
Total Fina Elf	2.1%
Novartis AG	1.7%
BNP Paribas	1.6%
UBS AG	1.5%
Nestle	1.5%
ENI	1.3%
Nokia (AB) OY	1.3%

NON-NORTH AMERICAN EQUITIES BY COUNTRY

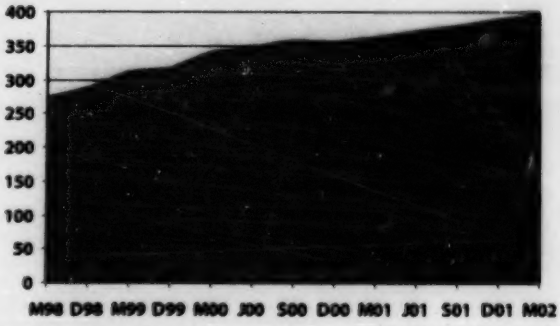
Percent of Fair Value



REAL ESTATE INVESTMENTS

The real estate market in Canada continued in a positive trend this year. The Russell Canadian Property Index, which measures the performance of institutionally held real estate investments situated across Canada, returned 9.8% for the year ended March 31, 2002.

RUSSELL CANADIAN PROPERTY INDEX



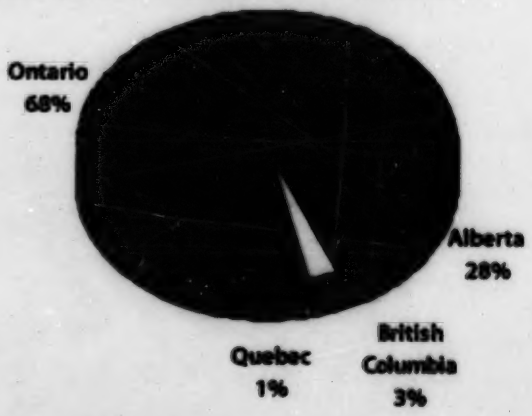
The Fund's real estate investments are held in the internally managed Private Real Estate Pool. 47% of the Pool's real estate is retail, 47% office, 5% industrial and the remaining 1% is residential. The Fund's real estate portfolio earned 7.3% this year and 9.0% over 4 years.

REAL ESTATE RETURNS*

	One Year Return	Four Year Return (annualized)
Actual Return	7.3%	9.0%
Benchmark Russell Canadian Property Index	*9.8%*	*11.8%*

* The difference between the actual return and the benchmark return for 2001-02 is attributable to the method of calculation. The benchmark is calculated on a gross basis and excludes expenses such as capital expenditures, interest expense, transaction costs, and administration expense. The actual return is calculated on a net basis, fully reflecting all costs and expenses. Effective for 2002-03, the benchmark is changed to the Consumer Price Index (CPI) plus 5%. Applying the new policy benchmark to the current period, the actual real estate return outperformed the new benchmark by 50 basis points over one year and 190 basis points over a four-year period on an annualized basis.

REAL ESTATE BY GEOGRAPHIC DISTRIBUTION



As at March 31, 2002, investments in real estate grew to $594 million or 4.7%, up from $388 million or 3.2% a year earlier.

BUSINESS PLAN PERFORMANCE MEASURES

Heritage Fund (combined)
(year ending March 31)

	Annual Return				Four Years *
	2002	2001	2000	1999	
Actual return	4.2%	-0.1%	9.0%	5.4%	4.6%

The combined rate of return is determined by adding the proportionate market value returns of each portfolio and adjusting for the timing of cash flows from the Transition Portfolio to the Endowment Portfolio.

Endowment Portfolio
(year ending March 31)

	Annual Return				Four Years *
	2002	2001	2000	1999	
Actual return	3.3%	-6.1%	18.0%	4.7%	4.6%
Benchmark	3.4%	-6.2%	15.9%	4.7%	4.2%
Over (under) benchmark	-10bp	10bp	210bp	0bp	40bp

	Weight	Annual Return				Four Years *
Actual		2002	2001	2000	1999	
ST Fixed Income	4.2%	4.8%	5.7%	5.3%	5.0%	5.2%
LT Fixed Income	32.5%	5.9%	9.5%	1.7%	6.8%	5.9%
Canadian Equities	23.0%	4.2%	-16.0%	37.8%	-9.2%	2.3%
US Equities	17.5%	1.4%	-14.4%	13.1%	26.9%	5.7%
Non-North American Equities	17.6%	-5.8%	-22.6%	37.3%	13.0%	3.2%
Real Estate	5.2%	7.3%	9.7%	5.8%	13.4%	9.0%
Total	100%	3.3%	-6.1%	18.0%	4.7%	4.6%

	Weight	Annual Return				Four Years *
Benchmark		2002	2001	2000	1999	
SC91 Day T-Bill Index	2.0%	3.7%	5.7%	4.7%	4.9%	4.8%
SC Universe Bond Index	33.0%	5.1%	8.7%	1.3%	7.0%	5.5%
TSE 300 Index	23.0%	4.9%	-18.6%	45.5%	-11.3%	2.5%
S & P 500 Index	17.5%	1.6%	-15.1%	13.2%	26.0%	5.3%
MSCI EAFE Index	17.5%	-7.3%	-19.6%	20.1%	12.8%	0.2%
Russell Index (estimate)	7.0%	9.8%	11.9%	9.9%	15.6%	11.8%
Total	100%	3.4%	-6.2%	15.9%	4.7%	4.2%

Transition Portfolio
(year ending March 31)

	Annual Return				Four Years *
	2002	2001	2000	1999	
Actual return	5.3%	8.2%	3.0%	5.4%	5.5%

* annualized

Administrative Expenses

Administrative expenses include investment management, cash management, custodial and other expenses. External management and custodial fees are deducted directly from the income of externally managed investment pools. Internal administrative expenses are deducted from the internally managed pooled funds and also directly from the Fund.

In the 2001-02 fiscal year, administrative expenses charged directly to the Fund were $1.5 million, the same as the previous year. The Fund's total administrative expense for the year ending 2001-02, including amounts deducted from the investment income of the pooled funds, amounted to $11.5 million or .092% of the Fund's net assets at fair value compared to $8.1 million or .067% of net assets the previous year.

The management of the Fund is cost effective. The average investment expense paid by other institutional investors is 0.25% of total market value or the equivalent of $31.0 million, a savings of approximately $18.5 million to the Province.

ADMINISTRATIVE EXPENSE BREAKDOWN

for the year ended March 31, 2002

	2002	2001
	(thousands)	
Direct fund expenses	$ 1,455	$ 1,554
Externally managed investment pools	8,291	5,379
Internally managed investment pools	1,722	1,149
Total	$ 11,468	$ 8,082
Expenses as a percent of net assets at fair value	0.092%	0.067%

The increase in administrative expense is related to the transfers from the Transition Portfolio to the Endowment Portfolio. The Endowment Portfolio is more expensive to administer because it is predominantly invested in equities, a large portion are foreign equities which are externally managed.

Glossary

ACCRUED INTEREST
Interest income that has been earned but not paid in cash.

ACTIVE STRATEGIES
The strategies have two forms - security selection or market timing. Security selection is the buying and selling of securities to earn a return above a market index such as the TSE 300 Index for Canadian Stocks. Market timing is based on shifting asset class weights to earn a return above that available from maintaining the asset class exposure of the policy asset mix.

ASSET MIX
The percentage of an investment fund's assets allocated to major asset classes (for example 60% equities, 5% real estate and 35% fixed income).

BENCHMARK
A standard against which others are measured. For the purposes of this report, benchmarks are established income indices used to measure the health of the Fund's investment income.

BOND/DEBENTURE
A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date.

BOOK VALUE
See Cost Value

CAPITAL GAIN
The market value received on sale of an asset beyond its book value or purchase price. If the asset is bought for $50 and sold for $75, the realized capital gain (profit) is $25.

COST VALUE
The value for which an asset was acquired.

DEPOSITS
Liquid, short term investments. A cash equivalent.

DERIVATIVE CONTRACT
Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates.

DURATION
Modified duration is the weighted average term to maturity of the security's cash flows (i.e. interest and principal) and is the measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.

EMERGING MARKET
An economy in the early stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece and Brazil.

EQUITY
Stocks; the ownership interest in a company.

EXTERNAL MANAGER
A third-party firm contracted to provide investment management services.

FAIR VALUE
Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is similar to market value.

FIXED INCOME SECURITIES
Interest bearing investments such as bonds and debentures and money market investments such as treasury bills and discount notes (see "Bond" and "Money Market Security").

GENERAL REVENUE FUND (GRF)
The central operating account for the Province of Alberta. It is where most of the revenues received by the Province are deposited and from where most of the expenditures are made.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)
These are accounting guidelines formulated by the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Committee (ASC), that govern how businesses report their financial statements to the public. They are the principles under which the financial statements of the Heritage Fund and other provincial funds are prepared. These principles help ensure fair presentation of the financial affairs of the Province.

INTEREST RATE SENSITIVE EQUITY
Equity whose return is expected to react to changes in interest rates.

LARGE CAP
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

NET INVESTMENT INCOME
On a cost basis, includes realized capital gains, interest, dividends, security lending income, derivative income and administrative expenses. On a fair value basis, include, in addition to the above, current period changes in unrealized gains and losses.

INVESTMENT PORTFOLIO
A pool of securities held as an investment. Holdings of a diverse group of assets by an individual company or fund.

LIQUIDITY
The ease with which an asset can be turned into cash and the certainty of the value it will obtain.

MARKET VALUE
See fair value

MARKET (VALUE) RATE OF RETURN
The market value rate of return measures income (interest and dividends) and capital appreciation or depreciation (realized and unrealized). The method used to calculate the return is the time weighted method.
Time-weighted rates of return are designed to eliminate the effect that the size and timing of cash flows has on the internal rate of return since the pattern of cash flows vary significantly among funds. The investment industry uses time-weighted rates of return when comparing the returns of one fund to another fund or to an index.

MARKETABLE SECURITY
An investment for which there is usually a ready market.

MID-TERM INVESTMENT
A fixed income instrument (bonds, debentures, treasury bills or discount notes) that matures in one to five years from the date of acquisition.

MONEY MARKET SECURITY
A fixed income security that matures within one year from the date of acquisition.

NET INCOME
The amount of earnings remaining after deducting expenses.

NOMINAL RATE OF RETURN
A measure of return that does not exclude the effect of inflation (see Real Rate of Return).

PAR VALUE
A value set as the face or principal amount of a security, typically expressed as multiples of $100 or $1000. Bondholders receive par value for their bonds at maturity.

PASSIVE STRATEGIES
These strategies involve investing to replicate the performance of a given market index such as the TSE 300 Index for Canadian stocks, or managing asset class exposure to match the performance of an established policy asset mix .

REAL VALUE OR REAL RATE OF RETURN
A measure of value or return after accounting for inflation. It is equal to the nominal value or return less an amount for inflation.

REALIZED AND UNREALIZED
Terms generally used to describe capital gains or losses. A gain or loss is realized when the asset is sold; prior to sale the gain or loss is unrealized and it is only a potential gain or loss.

SECURITY
Any investment instrument such as a bond, common stock, deed of trust on property, or any evidence of indebtedness or equity.

SHORT-TERM INVESTMENT
An investment with a maturity date of less than one year.

SMALL CAP
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of less than 0.15% of the total Toronto Stock Exchange market capitalization.

TERM-TO-MATURITY
The number of years left until a bond matures.

VOLATILITY
In financial matters, volatility of returns is the measurement used to define risk. The greater the volatility, the higher the risk.

FINANCIAL STATEMENTS

MARCH 31, 2002

Table of Contents

Auditor's Report 17
Balance Sheet 18
Statement of Operations 18
Statement of Changes in Financial Position 19
Notes to the Financial Statements 20
Schedule of Investments in Fixed Income Securities 29
Schedule of Investments in Canadian Equities 30
Schedule of Investments in United States Equities 31
Schedule of Investments in Non-North American Equities 32
Schedule of Investment Returns 33

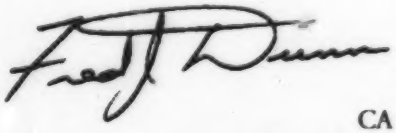
Auditor's Report

TO THE MINISTER OF REVENUE

I have audited the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



CA
Auditor General

Edmonton, Alberta
May 23, 2002

FINANCIAL STATEMENTS

BALANCE SHEET

March 31, 2002 (thousands)

	2002	2001
Assets		
Portfolio investments (Note 3)	$ 12,501,716	$ 12,200,300
Accrued interest receivable	20,617	77,276
Receivable from sale of investments	16,163	41,934
Administration expense receivable	7	–
Due from the General Revenue Fund	–	81,824
	$ 12,538,503	$ 12,401,334
Liabilities and Fund Equity		
Liabilities		
Liabilities for investment purchases	$ 269,287	$ 144,963
Due to the General Revenue Fund	12,897	–
Administration expense payable	–	52
	282,184	145,015
Fund equity (Note 6)	12,256,319	12,256,319
	$ 12,538,503	$ 12,401,334

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF OPERATIONS

For the Year Ended March 31, 2002 (thousands)

	2002		2001
	Budget	Actual	Actual
Net income (Note 7)	$ 579,700	$ 205,772	$ 706,175
Transfers to the General Revenue Fund (Note 6)	579,700	205,772	706,175
Net change in fund equity (Note 6)	$ –	–	–
Fund equity at beginning of year		12,256,319	12,256,319
Fund equity at end of year		$ 12,256,319	$ 12,256,319

The accompanying notes and schedules are part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31, 2002 (thousands)

	2002	2001
Operating transactions		
Net income	$ 205,772	$ 706,175
Non-cash items included in net income	(56,841)	(86,255)
	148,931	619,920
Decrease in accounts receivable	82,423	22,904
Increase in accounts payable	124,272	141,942
Cash provided by operating transactions	355,626	784,766
Investing transactions		
Proceeds from disposals, repayments and redemptions of investments	12,881,740	12,629,363
Purchase of investments	(13,338,370)	(12,390,895)
Cash provided by (applied to) investing transactions	(456,630)	238,468
Transfers		
Transfers to the General Revenue Fund	(205,772)	(706,175)
Increase (decrease) in amounts due to the General Revenue Fund	94,721	(240,938)
Cash applied to transfers	(111,051)	(947,113)
Increase (decrease) in cash	(212,055)	76,121
Cash at beginning of year	263,875	187,754
Cash at end of year	$ 51,820	$ 263,875
Consisting of Deposits in the Consolidated Cash Investment Trust Fund (Note 3)	$ 51,820	$ 263,875

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

NOTE 1 AUTHORITY AND MISSION

The Alberta Heritage Savings Trust Fund operates under the authority of the *Alberta Heritage Savings Trust Fund Act* (the Act), Chapter A-23, Revised Statutes of Alberta 2000, as amended.

The preamble to the Act describes the mission of the Fund as follows:

"To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans."

Investments of the Fund are held in two portfolios, the Endowment Portfolio and the Transition Portfolio. Based on current transfers of $300 million per month, substantially all of the assets in the Transition Portfolio will be transferred to the Endowment Portfolio by June 30, 2002. These financial statements present the Fund's investments held in the two portfolios on a combined basis (see note 3 and note 3s).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with generally accepted accounting principles.

The accounting policies of significance to the Fund are as follows:

(a) Portfolio investments

Fixed-income securities, mortgages, equities, and real estate investments held directly by the Fund or by pooled investment funds are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments in loans are recorded at cost less any allowance for credit loss. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a specific provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment in fixed-income securities, mortgages, equities and real estate that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Investment Income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability. When a loan becomes impaired, recognition of interest income in accordance with the terms of the original loan agreement ceases. Any subsequent payments received on an impaired loan are applied to reduce the loan's book value.

Gains and losses arising as a result of disposals of investments are included in the determination of investment income. Income and expense from derivative contracts are included in investment income.

(c) Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are

FINANCIAL STATEMENTS

Note 2 (continued)

included in the determination of investment income.

(d) Investment Valuation

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of investments held either directly by the Fund or by pooled investment funds are determined as follows:

(i) Public fixed-income securities and equities are valued at the period-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Mortgages, provincial corporation debentures and private fixed-income securities are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

(iii) The fair value of private equities is estimated by management.

(iv) Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

(v) The fair value of loans is estimated by management based on the present value of discounted cash flows. An estimate of fair value was not performed in prior years. Consequently, no amount is provided for comparative purposes.

(vi) The fair value of deposits, receivables, accrued interest and payables are estimated to approximate their book values.

(vii) The fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate.

(e) Valuation of Derivative Contracts

Derivative contracts include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. As disclosed in Note 4, the value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

FINANCIAL STATEMENTS

NOTE 3 PORTFOLIO INVESTMENTS

	2002			2001		
	Cost	Fair Value	%	Cost	Fair Value	%
	(thousands)			(thousands)		
Fixed Income (Schedule A)						
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 51,820	$ 51,820	0.4	$ 263,875	$ 263,875	2.2
Canadian Dollar Public Bond Pool (b)	3,372,717	3,291,655	26.0	2,449,498	2,404,033	20.1
Bonds, notes & short-term paper, directly held (c)	1,440,792	1,445,674	11.4	4,263,948	4,305,040	36.0
Private Mortgage Pool (d)	404,966	389,516	3.1	318,808	310,398	2.6
Provincial corporation debentures, directly held (e)	104,622	165,178	1.3	250,387	327,228	2.7
Loans, directly held (f)	97,359	97,359	0.8	97,359	*Note 2(d)(v)*	–
Floating Rate Note Pool	–	–	–	36,702	36,449	0.3
	5,472,276	5,441,202	43.0	7,680,577	7,647,023	63.9
Canadian equities (Schedule B)						
Domestic Passive Equity Pooled Fund (g)	886,167	1,097,763	8.7	532,863	674,804	5.6
Canadian Pooled Equity Fund (h)	931,972	945,662	7.5	693,550	635,305	5.3
External Managers Canadian Large Cap Equity Pool (i)	380,554	406,097	3.2	139,326	149,898	1.3
External Managers Canadian Small Cap Equity Pool (j)	67,471	88,027	0.7	105,430	117,102	1.0
Private Equity Pool (98) (k)	75,580	75,843	0.6	58,724	58,720	0.5
Private Equity Pool (k)	10,489	7,204	–	11,645	11,082	0.1
Directly held equity	1,526	2,716	–	–	–	–
	2,353,759	2,623,312	20.7	1,541,538	1,646,911	13.8
United States equities (Schedule C)						
External Manager US Passive Equity Pool (l)	1,104,863	994,944	7.9	721,903	622,837	5.2
External Managers US Large Cap Equity Pool (m)	891,430	879,969	6.9	543,658	491,092	4.1
External Manager US Small/Mid Cap Equity Pool (n)	102,321	122,653	1.0	72,409	77,483	0.6
United States Pooled Equity Fund	803	640	–	800	707	–
	2,099,417	1,998,206	15.8	1,338,770	1,192,119	9.9
Non-North American equities (Schedule D)						
External Managers EAFE Core Equity Pool (o)	1,013,353	994,087	7.8	542,353	470,702	4.0
External Managers EAFE Plus Equity Pool (o)	488,475	499,732	4.0	268,134	226,211	1.9
External Manager EAFE Passive Equity Pool (p)	505,888	507,434	4.0	463,944	398,269	3.3
EAFE Structured Equity Pool	803	818	–	858	875	–
External Managers Emerging Markets Equity Pool	–	–	–	11	3	–
	2,008,519	2,002,071	15.8	1,276,300	1,096,060	9.2
Real estate (q)	567,745	594,463	4.7	363,115	388,258	3.2
Total equities and real estate	7,029,440	7,218,052	57.0	4,519,723	4,323,348	36.1
Total investments (r) (s)	$ 12,501,716	$ 12,659,254	100.0	$ 12,200,300	$ 11,970,371	100.0

FINANCIAL STATEMENTS

Note 3 (continued)

The majority of the Fund's investments are held in pooled investment funds established and administered by Alberta Revenue. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units. As at March 31, 2002, the Fund's percentage ownership, at market, in pooled investment funds is as follows:

	% Ownership	
	2002	2001
Internally Managed Investment Pools		
Canadian Dollar Public Bond Pool	36.9	28.9
Canadian Pooled Equity Fund	47.0	29.0
Domestic Passive Equity Pooled Fund	41.3	33.0
EAFE Structured Equity Pool	0.2	0.2
Private Equity Pool	13.6	13.6
Private Equity Pool (98)	100.0	100.0
Private Mortgage Pool	43.2	34.8
Private Real Estate Pool	36.3	28.9
United States Pooled Equity Fund	18.0	18.0
Floating Rate Note Pool	–	1.9
Externally Managed Investment Pools		
Canadian Large Cap Equity Pool	18.8	25.0
Canadian Small Cap Equity Pool	18.7	14.0
EAFE Core Equity Pool	36.2	23.4
EAFE Passive Equity Pool	56.6	33.3
EAFE Plus Equity Pool	35.4	24.8
US Large Cap Equity Pool	37.0	26.5
US Passive Equity Pool	68.9	48.1
US Small/Mid Cap Equity Pool	30.2	27.8

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of five years. As at March 31, 2002, securities held by the Fund have an average effective market yield of 2.57% per annum (2001: 5.09% per annum).

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing above average returns compared to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The excess return is achieved through management of portfolio duration and sector rotation. The portfolio is comprised of high quality Canadian fixed-income instruments and debt related derivatives. As at March 31, 2002, securities held by the Pool have an average effective market yield of 5.80% per annum (2001: 5.75% per annum) and the following term structure based on principal amount: under 1 year: 7% (2001: 5%); 1 to 5 years: 34% (2001: 36%); 5 to 10 years: 31% (2001: 29%); 10 to 20 years: 10% (2001: 15%); over 20 years: 18% (2001: 15%).

(c) As at March 31, 2002, fixed-income securities held directly by the Fund have an average effective market yield of 4.02% per annum (2001: 5.10% per annum). As at March 31, 2002, fixed-income securities have the following term structure based on principal amount: under 1 year: 91% (2001: 32%); 1 to 5 years: 9% (2001: 58%); over 5 years: Nil % (2001: 10%).

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than attainable from the Scotia Capital Universe Bond Index over a four-year period or longer. The portfolio is comprised primarily of high quality commercial mortgage loans (94.8%) and provincial bond residuals (5.2%). To limit investment risk, mortgage loans are restricted to first mortgage loans, diversified by property usage and geographic location, and include a small portion of NHA insured loans. As at March 31, 2002, securities held by the Pool have an average effective market yield of 7.01% per annum (2001: 7.14% per annum) and the following term structure based on principal amount: under 1 year: 10% (2001: 10%); 1 to 5 years: 21% (2001: 25%); 5 to 10 years: 23% (2001: 22%); 10 to 20 years: 26% (2001: 25%); and over 20 years: 20% (2001: 18%).

FINANCIAL STATEMENTS

(e) As at March 31, 2002, Provincial corporation debentures have an average effective market yield of 8.35% per annum (2001: 7.84% per annum). The maturity profile based on expected repayments is as follows: under 1 year $4,585,000; 1 to 5 years: $27,812,000 and over 5 years: $72,225,000.

(f) Investment in loans are recorded at cost. The fair value of loans is estimated by management based on the present value of discounted cash flows. An estimate of fair value was not performed in prior years. Consequently, no amount is provided for comparative purposes. As at March 31, 2002, investment in loans, at cost, include the Ridley Grain loan amounting to $91,245,000 (2001: $91,245,000) and the Vencap loan amounting to $6,114,000 (2001: $6,114,000).

- Under the terms of the loan to Ridley Grain, 11% Participating First Mortgage Bonds due July 31, 2015, interest is compounded semi-annually and payable annually to the extent of available cash flow and any shortfall is to be deferred and capitalized. The principal of $91,245,000 and deferred interest is repayable on or before July 31, 2015. Deferred interest at March 31, 2002 amounted to $60,049,081 (2001: $55,125,291). Grain throughput volumes are the main determinant of profitability of the grain terminal and the value of the loan to the Fund. Due to the uncertainty of forecasting the grain throughput volumes, income from the participating bonds is recognized when it is measurable and collectable.

- The principal amount of the Vencap loan, amounting to $52,588,000, is due July 2046 and bears no interest. Amortization ceased being recorded on the loan from December 31, 2000 onward.

(g) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. A portion of the portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 100 Index and the TSE 60 Index. The other portion of the portfolio fully replicates the TSE 300. The Pool's investment in units of the Floating Rate Note Pool (FRNP) are used as the underlying securities to support the index swaps of the pool. FRNP is managed with the objective of generating floating rate income needed for the swap obligations in respect of structured investments in foreign equities, domestic equities and domestic bonds. Through the use of interest rate swaps, FRNP provides investment opportunities in high quality floating-rate instruments with remaining term-to-maturity of ten years or less.

(h) The Canadian Pooled Equity Fund is managed with the objective of providing competitive returns comparable to the total return of the Toronto Stock Exchange 300 Index while maintaining maximum preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(i) The Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide returns higher than the total return of the TSE 300 index over a four-year period. Return volatility is reduced through multiple manager investment style and market capitalization focus.

(j) The Canadian Small Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities with market capitalization of .15% of the TSE 300 Index total market capitalization at time of purchase. Each portfolio is actively managed by an external manager with expertise in the Canadian small cap equity market. The performance objective is to provide returns higher than the total return of the TSE 300 index over a four-year period and returns higher than the Nesbitt Burns Small Cap Index over shorter time periods. Return volatility is reduced through multiple manager investment style and small capitalization focus.

(k) The Private Equity Pool (98) is managed with the objective of providing investment returns higher than attainable from the TSE 300 Index over a five to ten year period. The portfolio is comprised of investments in institutionally sponsored private equity pools. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool.

(l) The US Passive Equity Pool consists of units in an externally managed US Passive Equity Pool that replicates the Standard & Poor's (S&P) 500 index. The performance objective is to provide returns comparable to the total return of the S&P 500 index over a four-year period.

(m) The US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap equity market. The performance objective is to provide returns higher than the total return of the Standard & Poor's (S&P) 500 index over a four-year period. Return volatility is reduced through multiple manager investment style and large capitalization focus.

(n) The US Small/Mid Cap Equity Pool consists of one portfolio of publicly traded United States equities. The portfolio is actively managed by an external manager with expertise in the small cap and mid cap US equity market. The performance objective is to provide returns higher than the total return of the Russell 2500 index over a four-year period.

(o) The Europe, Australasia and Far East (EAFE) Core and Plus Equity Pools consist of multiple portfolios of publicly traded non-North American equities. EAFE Core portfolios are actively managed by external managers with European and Pacific Basin mandates. EAFE core managers have constraints on foreign currency management and deviations from the MSCI EAFE index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE index over a four-year period.

(p) The externally managed EAFE Passive Equity Pool consists of one portfolio of non-North American publicly traded equities that replicate the MSCI EAFE index. The performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period.

(q) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over a four-year period or longer. Real estate is held through intermediary companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by

FINANCIAL STATEMENTS

property type and by tenancy. As real estate returns are positively correlated to inflation and negatively correlated to returns from fixed income securities and equities, the Pool provides diversification from the securities market with opportunities for high return.

(r) Where there has been a loss in value of an investment that is other than a temporary decline, the cost of the investment is written down to recognize the loss (see Note 2 (a)). Where the fair value remains less than cost, after recording a writedown, it is management's best judgement that the decline in value is caused by short term market trends and are temporary in nature.

(s) A summary of investments held in the Endowment Portfolio and Transition Portfolio is as follows:

	2002			2001		
	Cost	Fair Value	%	Cost	Fair Value	%
Endowment Portfolio						
Deposits and fixed income securities	$ 4,274,817	$ 4,178,459	36.7%	$ 3,197,161	$ 3,143,179	42.1%
Canadian equities	2,353,759	2,623,312	23.0%	1,541,538	1,646,911	22.0%
United States equities	2,099,417	1,998,206	17.5%	1,338,770	1,192,119	16.0%
Non-North American equities	2,008,519	2,002,071	17.6%	1,276,300	1,096,060	14.7%
Real estate	567,745	594,463	5.2%	363,115	388,258	5.2%
	11,304,257	11,396,511	100.0%	7,716,884	7,466,527	100.0%
Transition Portfolio:						
Deposits and fixed income securities	$ 995,478	$ 1,000,206	79.2%	$ 4,135,670	$ 4,176,616	92.7%
Provincial Corporation Debentures	104,622	165,178	13.1%	250,387	327,228	7.3%
Loans	97,359	97,359	7.7%	97,359	*Note 2(d)(v)*	–
	1,197,459	1,262,743	100.0%	4,483,416	4,503,844	100.0%
Total Investments	$ 12,501,716	$ 12,659,254	100.0%	$ 12,200,300	$11,970,371	100.0%

NOTE 4 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Fund uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

(i) A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

(ii) Foreign exchange contracts are contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

(iii) A stock index futures contract is an agreement to receive or pay cash based on changes in the level of the specified stock index.

FINANCIAL STATEMENTS

The following is a summary of the fund's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2002.

	Maturity			2002		2001	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
				(thousands)			
Equity index swap contracts	87%	13%	–	$ 510,859	$ 7,733	$ 335,850	$ (32,415)
Bond index swap contracts	100%	–	–	55,553	(491)	154,001	(769)
Forward foreign exchange contracts	100%	–	–	260,664	182	142,373	(366)
Interest rate swap contracts	31%	67%	2%	230,634	(8,479)	117,965	(4,352)
Equity index futures contracts	–	–	–	–	–	683	(11)
				1,057,710	$ (1,055)	750,872	$ (37,913)
Cross-currency interest rate swap contracts (b)	33%	17%	50%	380,982		497,806	
				$ 1,438,692		$ 1,248,678	

(a) The method of determining the fair value of derivative contracts is described in note 2 (e).
(b) Cross-currency swaps are valued as a package including the underlying security. As at March 31, 2002, the combined fair value of cross-currency interest rate swaps and underlying securities amounted to $380,037,000 (2001: $503,753,000).

NOTE 5 INVESTMENT RISK MANAGEMENT

Income and financial returns of the Fund are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

The Standing Committee on the Alberta Heritage Savings Trust Fund reviews and approves the business plan of the Fund. In order to earn an optimal financial return at an acceptable level of risk, the 2001-2002 business plan limits investments of the Transition Portfolio to include only fixed-income securities other than securities transferred from the previous structure and proposes the following asset mix policy for the Endowment Portfolio.

Fixed income securities	25% to 45%
Equities	75% to 55%

Risk is reduced through asset class diversification, diversification within each asset class, quality and duration constraints on fixed-income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 4). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in foreign currency (see Note 4).

NOTE 6 FUND EQUITY

Section 8 (2) of the *Alberta Heritage Savings Trust Fund Act* (the Act) states that the net income of the Heritage Fund less any amount retained in the Fund to maintain its value shall be transferred to the General Revenue Fund annually in a manner determined by the Minister of Revenue.

FINANCIAL STATEMENTS

Note 6 (continued)

Section 11(5) of the Act states that for fiscal years subsequent to 1999 and until the accumulated debt is *eliminated in accordance with the Fiscal Responsibility Act*, the Minister of Revenue is not required to retain any income in the Heritage Fund to maintain its value, but may retain such amounts as the Minister of Revenue considers advisable.

NOTE 7 NET INCOME

	2002	2001
	(thousands)	
Deposit and fixed-income securities	$444,884	$532,434
Canadian equities	(54,112)	175,334
United States equities	(8,065)	(22,422)
Non-North American equities	(213,481)	5,293
Real estate	38,001	17,090
Investment income	207,227	707,729
Direct administrative expenses (Note 8)	(1,455)	(1,554)
Net income	$205,772	$706,175

Investment income is comprised of interest, dividends, amortization of discount and premiums, swap income, security lending income and realized gains and losses, net of write-downs, on investments. The Fund's share of income earned from externally and internally managed investment pools is net of administrative expenses incurred by the pools. (see Note 8).

Investment income for the year ended March 31, 2002 includes a net loss from disposals of investments and writedowns totalling $351,119,000 (2001: net gain $191,242,000).

A summary of investment income (loss) earned in the Endowment Portfolio and Transition Portfolio is as follows:

	2002	2001
	(thousands)	
Endowment Portfolio	$(16,143)	$374,890
Transition Portfolio	221,915	331,285
Net income	$205,772	$706,175

NOTE 8 ADMINISTRATIVE EXPENSES

Administrative expense includes investment management, cash management, safekeeping costs and other expenses charged on a cost-recovery basis directly from Alberta Revenue. The Fund's total administrative expense for the period, including amounts deducted directly from investment income of pooled funds is as follows:

	2002	2001
	(thousands)	
Direct fund expenses, (Note 7)	$ 1,455	$ 1,554
Externally managed investment pools	8,291	5,379
Internally managed investment pools	1,722	1,149
Total	$ 11,468	$ 8,082
Percent of net assets at fair value	0.092%	0.067%

NOTE 9 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to March 31, 2002 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Revenue.

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

Schedule A

March 31, 2002 (thousands)

	Fund's share			
	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Deposits and short-term securities	$ 90,252	$ 90,252	$ 315,087	$ 315,087
Fixed Income Securities (a)				
Corporate, public and private	3,161,066	3,116,173	3,572,419	3,563,784
Government of Canada, direct and guaranteed	1,181,806	1,157,039	1,669,330	1,668,536
Provincial, direct and guaranteed:				
Alberta	9,861	10,271	65,896	67,035
Other provinces	744,038	722,116	1,588,459	1,581,439
Municipal	49,249	48,791	105,260	107,534
Provincial corporation debentures	104,622	165,178	250,387	327,228
Loans	97,359	97,359	97,359	*Note 2(d)(v)*
	5,348,001	5,316,927	7,349,110	7,315,556
Receivable from sale of investments and accrued investment income	78,837	78,837	52,948	52,948
Accounts payable and accrued liabilities	(44,814)	(44,814)	(36,568)	(36,568)
	34,023	34,023	16,380	16,380
	$ 5,472,276	$ 5,441,202	$ 7,680,577	$ 7,647,023

(a) Fixed income securities held as at March 31, 2002 have an average effective market yield of 5.41% per annum (2001: 5.40% per annum) and the following term structure based on principal amount:

	2002	2001
	%	%
under 1 year	31	24
1 to 5 years	26	45
5 to 10 years	21	18
10 to 20 years	9	7
over 20 years	13	6
	100	100

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

Schedule B

March 31, 2002 (thousands)

	Fund's share			
	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Deposits and short-term securities	$ 34,647	$ 34,647	$ 19,841	$ 19,841
Public equities (a)(b)				
Financial services	619,565	713,704	320,170	379,074
Industrial products	458,380	428,063	452,434	383,728
Oil and gas	243,931	325,498	152,468	211,762
Utilities	183,680	156,971	115,576	108,257
Metals and minerals	110,556	131,403	54,102	59,684
Consumer products	112,325	126,770	75,964	81,766
Communications and media	109,508	120,893	69,360	72,789
Gold and precious minerals	83,852	106,506	38,740	39,982
Merchandising	72,505	106,078	29,375	40,026
Transportation and environmental services	64,770	82,485	17,598	19,730
Paper and forest products	53,879	59,788	39,175	39,371
Pipelines	37,376	45,569	23,801	30,362
Conglomerates	27,846	40,233	48,525	70,411
Real estate and construction	16,253	19,921	11,160	13,842
	2,194,426	2,463,882	1,448,448	1,550,784
Passive index	30,234	32,015	33,296	37,545
	2,224,660	2,495,897	1,481,744	1,588,329
Private equities	81,175	79,491	65,939	64,727
Receivable from sale of investments and accrued investment income	21,319	21,319	16,570	16,570
Accounts payable and accrued liabilities	(8,042)	(8,042)	(42,556)	(42,556)
	13,277	13,277	(25,986)	(25,986)
	$ 2,353,759	$ 2,623,312	$ 1,541,538	$ 1,646,911

(a) The Fund's effective net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $510,081,000 (2001: $334,880,000) which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES

Schedule C

March 31, 2002 (thousands)

	Fund's share			
	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Deposits and short-term securities	$ 13,110	$ 13,110	$ 10,262	$ 10,262
Public equities (a)				
Financial	368,148	357,170	235,021	216,108
Information technology	354,595	319,543	209,778	163,136
Consumer discretionary	290,523	274,590	162,517	147,030
Health Care	256,430	248,791	159,213	147,544
Industrials	226,164	223,369	123,067	113,453
Consumer staples	197,674	193,818	99,852	91,296
Energy	145,227	140,838	92,989	84,728
Utilities	79,384	75,298	62,336	62,339
Telecommunication services	87,524	72,109	100,572	76,631
Materials	70,355	69,309	34,572	31,001
	2,076,024	1,974,835	1,279,917	1,133,266
Passive index	313	291	–	–
	2,076,337	1,975,126	1,279,917	1,133,266
Receivable from sale of investments and accrued investment income	18,938	18,938	53,179	53,179
Accounts payable and accrued liabilities	(8,968)	(8,968)	(4,588)	(4,588)
	9,970	9,970	48,591	48,591
	$ 2,099,417	$ 1,998,206	$ 1,338,770	$ 1,192,119

(a) The industrial classifications are those used by the Standard & Poor's indices.

SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

Schedule D

March 31, 2002 (thousands)

	Fund's share			
	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Deposits and short-term securities	$31,001	$31,001	$16,542	$16,542
Public equities (a)				
United Kingdom	491,588	494,816	273,126	233,210
Japan	386,408	340,718	277,600	234,119
France	218,911	220,626	121,042	108,156
Switzerland	156,183	159,836	71,792	66,673
Netherlands	156,839	158,483	86,779	74,501
Germany	133,246	130,791	108,700	90,864
Australia	72,150	80,516	35,808	31,495
Italy	63,398	66,291	49,798	46,041
Hong Kong	51,803	55,963	40,104	34,437
Spain	55,380	52,077	46,332	40,994
Finland	33,728	37,807	27,169	19,174
Sweden	27,574	33,577	45,093	33,471
Other	132,306	141,565	75,458	65,426
	1,979,514	1,973,066	1,258,801	1,078,561
Receivable from sale of investments and accrued investment income	33,857	33,857	20,933	20,933
Accounts payable and accrued liabilities	(35,853)	(35,853)	(19,976)	(19,976)
	(1,996)	(1,996)	957	957
	$2,008,519	$2,002,071	$1,276,300	$1,096,060

(a) The Fund's effective net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $779,000 (2001: $970,000), which are used as underlying securities to support the notional amount of Non-North American equity index swap contracts.

FINANCIAL STATEMENTS

SCHEDULE OF INVESTMENT RETURNS

Schedule E

Year Ended March 31, 2002 (thousands)

The Fund uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Fund over a specified period and is a measure of the total return received from an investment dollar initially invested. Total return includes cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns for the Fund are as follows:

	One Year Return				4 Year Compound Annualized Return
	2002	2001	2000	1999	
Time-weighted rates of return					
Short-term fixed income	4.8	5.7	5.3	5.0	5.2
Scotia Capital 91-day T-Bill Index	*3.7*	*5.7*	*4.7*	*4.9*	*4.8*
Long-term fixed income	5.9	9.5	1.7	6.8	5.9
Scotia Capital Universe Bond Index	*5.1*	*8.7*	*1.3*	*7.0*	*5.5*
Canadian equities	4.2	(16.0)	37.8	(9.2)	2.3
Toronto Stock Exchange 300 Index	*4.9*	*(18.6)*	*45.5*	*(11.3)* *	*2.5*
United States equities	1.4	(14.4)	13.1	26.9	5.7
S&P 500 Index	*1.6*	*(15.1)*	*13.2*	*26.0*	*5.3*
Non-North American equities	(5.8)	(22.6)	37.3	13.0	3.1
MSCI EAFE Index	*(7.3)*	*(19.6)*	*20.1*	*12.8*	*0.2*
Real estate	7.3	9.7	5.8	13.4	9.0
*Russell Canadian Property Index**	*9.8*	*11.9*	*9.9*	*15.6*	*11.8*
Endowment portfolio	3.3	(6.1)	18.0	4.7	4.6
Policy Benchmark	*3.4*	*(6.2)*	*15.9*	*4.7*	*4.2*
Transition portfolio	5.3	8.2	3.0	5.4	5.5
Overall Return	4.2	(0.1)	9.0	5.4	4.6

* The difference between the actual return and the benchmark is attributable to the method of calculation. The benchmark is calculated on a gross basis and excludes expenses such as capital expenditures, interest expense, transaction costs and administration expense. The actual return is calculated on a net basis, fully reflecting all costs and expenses.

List of Investments (unaudited)

The following unaudited schedules present the Heritage Fund's proportionate share of the ten largest public securities held in pooled funds administered by Alberta Revenue. For a detailed listing of all investments, please call (780) 427-3035.

Alberta Heritage Savings Trust Fund **SCHEDULE 1**

Schedule of Ten Largest Issues in Canadian Dollar Public Bond Pool (based on fair value)

as at March 31, 2002

					Heritage Fund's share	
Security Name	**Security Type**	**Coupon (%)**	**Maturity**	**Principal Amount**	**Cost**	**Fair Value**
Top Ten Issues						
Toronto Dominion Centre	Bond	6.30%	February 28, 2008	$ 125,488,666	$ 128,707,170	$ 123,167,126
Bay Wellington Tower	Bond	6.40%	April 8, 2013	109,802,583	111,363,582	103,289,094
Pacific Centre	Bond	6.19%	January 31, 2003	98,545,511	100,983,106	100,082,821
Government of Canada	Bond	5.00%	December 1, 2003	85,236,331	89,694,586	86,387,021
Canada Housing Trust	Bond	4.75%	March 15, 2007	69,664,295	70,898,851	67,377,913
Government of Canada	Bond	5.75%	June 1,2029	58,299,082	60,553,525	56,506,385
Government of Canada	Bond	5.75%	June 1, 2033	48,941,318	50,686,240	47,930,680
Government of Canada	Bond	6.00%	June 1, 2011	39,504,570	41,922,050	40,087,263
Province of British Columbia	Bond	5.70%	June 18, 2029	33,920,325	31,917,751	30,513,367
Province of Nova Scotia	Bond	6.25%	June 1, 2011	30,274,141	31,530,308	30,354,064
Total Other Issues					2,654,459,669	2,605,959,446
Heritage Fund's Investment in the Canadian Dollar Public Bond Pool					$ 3,372,716,898	$ 3,291,685,189

Alberta Heritage Savings Trust Fund

SCHEDULE 2

Schedule of Ten Largest Directly Held Fixed Income Issues (based on fair value)

as at March 31, 2002

Security Name	Security Type	Coupon (%)	Maturity	Principal Amount	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues						
Government of Canada	Bond	8.50%	April 1, 2002	$ 114,454,000	$ 114,463,839	$ 114,548,997
Pacific Centre	Bond	6.30%	January 31, 2003	100,000,000	100,000,000	101,837,000
Alberta Mortgage and Housing Corporation	Bond	16.37%	January 19, 2012	31,991,968	31,991,968	50,437,034
Alberta Mortgage and Housing Corporation	Bond	18.05%	September 28, 2011	24,810,587	24,810,587	41,080,551
Bank of Nova Scotia	B/A	-	April 22, 2002	40,000,000	39,950,229	39,941,600
Alberta Mortgage and Housing Corporation	Bond	16.73%	June 1, 2011	24,178,571	24,178,571	37,516,752
Alberta Mortgage and Housing Corporation	Bond	15.71%	December 7, 2011	23,641,340	23,641,340	36,143,613
York 97-1	Bond	5.55%	July 1, 2002	28,344,166	28,344,166	28,426,364
Government of Canada	Bond	5.00%	September 1, 2004	25,157,000	24,775,171	25,375,111
NAV Canada	Bond	5.75%	April 1, 2004	25,333,000	24,332,977	25,351,493
Total Other Issues					1,004,303,152	945,015,485
Heritage Fund's Investment in Directly Held Fixed Income Securities					$ 1,448,750,000	$ 1,448,674,000

Alberta Heritage Savings Trust Fund

SCHEDULE 3

Schedule of Ten Largest Issues in Domestic Passive Equity Pooled Fund (based on fair value)

as at March 31, 2002

Security Name	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues		
Royal Bank	$ 47,071,185	$ 54,612,060
Toronto Dominion Bank	36,815,246	42,535,783
Bank of Nova Scotia	34,565,419	40,373,092
BCE Inc.	30,542,324	34,465,648
Nortel Networks	46,184,433	34,225,524
Manulife Financial Corp.	23,036,867	32,138,831
Canadian Imperial Bank of Commerce	26,043,004	31,283,311
Alcan Inc.	22,958,482	30,818,102
Bank of Montreal	25,087,671	28,825,630
Barrick Gold Corp.	19,260,604	23,804,398
Total Other Issues	574,602,120	744,680,129
Heritage Fund's Investment in the Domestic Passive Equity Pooled Fund	$ 886,167,355	$ 1,097,762,508

Alberta Heritage Savings Trust Fund

SCHEDULE 4

Schedule of Ten Largest Issues in the Canadian Pooled Equity Fund (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues			
Royal Bank	787,140	$ 32,727,896	$ 41,875,841
BCE Inc.	1,429,130	49,804,217	39,987,068
Toronto Dominion Bank	910,394	30,774,419	39,738,707
Bank of Nova Scotia	693,119	26,869,278	36,465,008
Canadian Imperial Bank of Commerce	564,875	25,284,044	31,887,213
Manulife Financial Corp.	710,654	29,807,211	31,069,800
Nortel Networks	4,324,803	64,133,580	30,316,871
I Units S&P/TSE 60	546,259	24,659,643	24,554,354
Bank of Montreal	633,393	20,301,794	24,461,630
Sun Life Financial Services	689,217	22,170,039	23,743,542
Total Other Issues		605,440,307	621,561,905
Heritage Fund's Investment in the Canadian Pooled Equity Fund		$ 931,972,428	$ 945,661,999

Alberta Heritage Savings Trust Fund

SCHEDULE 5

Schedule of Ten Largest Issues in the External Managers Canadian Large Cap Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues			
Toronto Dominion Bank	464,782	$ 17,661,340	$ 20,287,725
Royal Bank	323,142	14,469,923	17,191,148
Bank of Nova Scotia	309,899	13,533,319	16,303,782
Sun Life Financial Services	467,374	16,108,946	16,101,039
BCE Inc.	520,253	17,728,672	14,556,689
Manulife Financial Corp.	321,883	12,652,360	14,072,737
Canadian Imperial Bank of Commerce	223,261	11,690,213	12,603,101
Petro-Canada	293,612	9,148,972	12,055,694
Barrick Gold	411,789	11,308,085	12,003,647
Canadian National Railway	150,488	9,481,531	11,972,802
Total Other Issues		246,770,320	258,948,978
Heritage Fund's Investment in the External Managers Canadian Large Cap Equity Pool		$ 380,553,681	$ 406,097,342

Alberta Heritage Savings Trust Fund

SCHEDULE 6

Schedule of Ten Largest Issues in the External Managers Canadian Small Cap Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues			
Cascades Inc.	180,974	$ 1,446,618	$ 2,602,413
Winpak Ltd.	22,421	1,117,844	2,085,140
Alimentation Couche-Tard Inc.	59,785	557,713	1,921,497
Vermilion Resources Ltd.	184,533	1,203,922	1,906,223
Masonite International Corp.	76,275	944,808	1,750,506
CFM Corp.	105,834	1,011,321	1,693,337
AGF Management Ltd.	73,179	592,157	1,676,531
Shawcor Ltd.	100,285	1,488,621	1,604,567
Van Houtte Ltd.	60,740	1,206,207	1,579,242
Shermag Inc.	123,774	1,402,860	1,547,175
Total Other Issues		56,498,463	69,860,257
Heritage Fund's Investment in the External Managers Canadian Small Cap Equity Pool		$ 67,470,534	$ 88,026,888

Alberta Heritage Savings Trust Fund

SCHEDULE 7

Schedule of Ten Largest Issues in the External Managers US Passive Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Heritage Fund's share Cost	Heritage Fund's share Fair Value
SSGA World Funds Plan S & P 500 (Canadian Plan)*	$ 1,104,900,781	$ 994,981,890
Net current liability	(37,670)	(37,670)
Heritage Fund's Investment in External Manager US Passive Equity Pool	$ 1,104,863,111	$ 994,944,220

* The Fund is structured to replicate the holdings of the Standard & Poor's 500 Index. The Top Ten Issues of the S&P 500 are:

Security Name	Representation
General Electric	3.6%
Microsoft Corp.	3.1%
Exxon Mobil Corp.	2.9%
Wal-Mart Stores	2.6%
Citigroup Inc.	2.4%
Pfizer Inc.	2.4%
Intel Corp.	1.9%
Johnson & Johnson	1.9%
American International Group	1.8%
International Business Machines	1.7%

Alberta Heritage Savings Trust Fund

SCHEDULE 8

Schedule of Ten Largest Issues in the External Managers US Large Cap Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share: Cost	Heritage Fund's share: Fair Value
Top Ten Issues			
Citigroup Inc.	358,303	$ 22,921,974	$ 28,309,195
Microsoft Corp.	225,075	23,018,153	21,657,781
General Electric Co.	344,650	17,035,389	20,593,334
Pfizer Inc.	311,439	18,486,268	19,746,825
Exxon Mobile Corp.	268,547	16,477,507	18,779,679
Verizon Communications	244,892	21,305,940	17,836,574
Washington Mutual Inc.	280,201	16,246,513	14,811,134
Cisco Systems Inc.	512,474	13,988,872	13,842,850
Baxter International Inc.	144,213	11,661,569	13,695,062
Target Corp.	198,476	12,713,409	13,654,731
Total Other Issues		717,574,405	697,041,594
Heritage Fund's Investment in the External Managers US Large Cap Equity Pool		$ 891,428,999	$ 879,968,799

Alberta Heritage Savings Trust Fund

SCHEDULE 9

Schedule of Ten Largest Issues in the External Managers US Small/Mid Cap Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share: Cost	Heritage Fund's share: Fair Value
Top Ten Issues			
Trigon Healthcare	14,383	$ 1,146,524	$ 1,694,053
NVR Inc.	3,287	400,608	1,654,476
SSGA Money Market Fund	1,030,992	1,623,406	1,644,947
Emcor Group Inc.	16,886	1,026,643	1,562,610
Inderst Laboratories	36,094	1,515,928	1,545,650
Direct Focus Inc.	24,515	1,082,289	1,488,263
American Standard Companies Inc.	12,755	810,482	1,439,797
Sonic Automotive Inc.	29,008	964,511	1,387,526
Radian Group Inc.	17,670	814,351	1,383,683
PHM Resources Inc.	27,862	1,075,444	1,362,946
Total Other Issues		91,860,438	107,489,214
Heritage Fund's Investment in the External Managers US Small/Mid Cap Equity Pool		$ 102,320,634	$ 122,653,165

Alberta Heritage Savings Trust Fund

SCHEDULE 10

Schedule of Ten Largest Issues in the External Managers EAFE Core Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues			
Vodafone Group	9,190,836	$ 36,340,695	$ 27,127,987
GlaxoSmithKline	619,800	26,660,384	23,320,738
Total Fina Elf	93,113	20,714,899	22,923,070
BP PLC	1,495,592	19,502,528	21,264,164
Novatris	299,192	17,962,130	18,780,444
ENI	772,812	14,431,143	18,058,089
BNP Parabis	210,462	14,052,268	16,948,883
Nestle	38,918	12,646,960	13,811,747
Ahold	326,910	14,117,858	13,677,122
Aventis	122,875	13,661,142	13,535,571
Total Other Issues		823,262,946	804,639,245
Heritage Fund's Investment in the External Managers EAFE Core Equity Pool		$ 1,013,352,953	$ 994,087,060

Alberta Heritage Savings Trust Fund

SCHEDULE 11

Schedule of Ten Largest Issues in the External Managers EAFE Plus Equity Pool (based on fair value)
as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues			
UBS AG	185,711	$ 14,011,232	$ 14,591,267
BNP Parabis	157,987	11,452,781	12,722,975
Total Fina Elf	42,434	9,210,614	10,446,579
Nestle	25,627	8,888,988	9,094,988
KON KPN N.V.	908,670	7,363,459	7,418,790
GlaxoSmithKline	187,842	8,100,476	7,067,784
HBOS	406,367	7,375,148	7,011,795
British Sky Broadcasting Group	369,494	6,837,812	6,993,363
Barclays	134,679	6,282,561	6,648,364
Aventis	60,216	6,763,913	6,633,186
Total Other Issues		402,187,608	411,102,636
Heritage Fund's Investment in the External Managers EAFE Plus Equity Pool		$ 488,474,592	$ 499,731,727

Alberta Heritage Savings Trust Fund

SCHEDULE 12

Schedule of Ten Largest Issues in the External Managers EAFE Passive Equity Pool (based on fair value)

as at March 31, 2002

Security Name	Number of Shares	Heritage Fund's share Cost	Heritage Fund's share Fair Value
Top Ten Issues			
BP PLC	1,139,524	$ 14,863,804	$ 16,201,632
GlaxoSmithKline	313,599	12,896,361	11,799,557
Vodafone Group	3,459,589	11,577,556	10,211,441
Royal Dutch Petroleum	106,746	9,226,208	9,316,557
Novatris	146,466	8,503,733	9,193,743
HSBC Holdings	451,757	7,325,349	8,344,797
Nokia AB OY	240,889	5,577,697	8,118,175
Total Fina Elf	32,242	8,734,860	7,937,510
Nestle	20,139	6,696,459	7,147,177
AstraZeneca	89,122	6,454,782	7,069,539
Total Other Issues		414,030,922	412,093,534
Heritage Fund's Investment in the External Managers EAFE Passive Equity Pool		$ 505,887,731	$ 507,433,662

Alberta Heritage Savings Trust Fund
Room 455, 9515-107 Street
Edmonton, Alberta T5K 2C3
Phone: (780) 427-4414

Alberta Heritage Savings Trust Fund Standing Committee

Chair:	Drew Hutton, MLA Edmonton Glenora
Deputy Chair:	Richard Magnus, MLA Calgary North Hill
Members:	Bill Bonner, MLA Edmonton Glengarry
	Debby Carlson, MLA Edmonton Ellerslie
	Dave Broda, MLA Redwater
	Mel Knight, MLA Grande Prairie-Smoky
	Rob Lougheed, MLA Clover Bar-Fort Saskatchewan
	Richard Marz, MLA Olds-Didsbury-Three Hills
	George VanderBurg, MLA Whitecourt-Ste. Anne

Committee Clerk to the Standing Committee
Karen Sawchuk

Investment Operations Committee

Chair:	Robert Bhatia, Deputy Minister of Revenue
Members:	Carl H. Otto, Carl Otto Associates Inc.
	Robert L. Phillips, BCR Group of Companies
	John D. Watson, Executive Vice-President and Chief Financial Officer, EnCana Corporation

Secretary
John Osborne, Director of Portfolio Analysis and Research, Investment Management Division, Alberta Revenue

Investment Manager
Paul Pugh, Chief Investment Officer, Investment Management Division, Alberta Revenue*

Auditor
Auditor General of Alberta

* Effective May 1, 2002, Jai Parihar is the Acting Chief Investment Officer.